
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 12.04.2009

MESSAGING RESOURCES/POLLING UPDATE

End the Bailouts. The Democrats falsely claim that their financial regulation bill, H.R. 4173, will end the bailouts and the government's policy of "too big to fail." However, the only real way to end the bailouts is to send failed non-banks to bankruptcy. The Democrats' 1300 page bill establishes a new statutory regime for addressing the failures of large, complex financial institutions, essentially codifying the bailout authorities employed by the Treasury and the Federal Reserve in the rescue of AIG and its U.S. and European creditors and counterparties. The creation of a \$150 billion bailout fund will promote systemic risk and undermine financial stability because the government will continue to spare financial firms from the consequences of their mistakes by imposing those costs on others, including the taxpayers.

TARP Funds Should Be Used To Pay Down The Deficit. The Democrats are planning to fund their third so-called "stimulus" bill by using funds from the Troubled Asset Relief Program (TARP). TARP continues to be viewed by many Democrats as a slush fund to pay for their big government spending programs. With Bank of America repaying \$45 billion, and reports that more banks will repay funds to Treasury in the coming weeks, it is imperative that the money be returned to the taxpayers. The TARP program must be allowed to expire, and any profits and repayments should go toward reducing the massive and historic Obama deficits.

Rein In the Federal Reserve. The Democrats' 1300 page bill will increase the risk of catastrophic failure of financial firms by concentrating responsibility for overseeing "systemically risky" firms in the Federal Reserve, whose inability to identify and address systemic risk helped cause the financial crisis in the first place. These provisions represent the most breathtaking expansion of Fed power since the central bank's creation almost a century ago. The extraordinary market interventions conducted by the Federal Reserve since the onset of the financial crisis have added trillions of dollars to the government's balance sheet and taken it far afield from its core mission of conducting the nation's monetary policy.

The Democrats' Financial Regulation Bill Will Kill Jobs. The Democrats' financial regulation bill increases government bureaucracy and imposes an array of new taxes on consumers, investors, and businesses. This will destroy jobs and further undermine the fragile economic recovery. For example:

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The derivatives legislation will impact Main Street companies by limiting their ability to hedge for risks.

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The permanent bailout fund will impose a \$150 billion tax on firms, most of which did not engage in the risky behavior that caused the financial crisis.

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The authority for regulators to "break up" financial firms that the government decides have grown too large will undermine the competitiveness of the US economy.

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The CFPA would establish an unelected "credit czar" who would be able to dictate what financial products could be offered and at what terms, drastically reducing the number of financial products available and driving up the cost of credit.

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The Investor Protection Act will limit investor options and expand litigation, thereby making investment transactions more expensive.

ON THE HORIZON

Tuesday, December 8: The Full Committee will convene for a hearing entitled "The Private Sector and Government Response to the Mortgage Foreclosure Crisis at 10 am in room 2128 Rayburn.

Wednesday, December 9: The Capital Markets Subcommittee will hold a hearing entitled "Additional Reforms To The Securities Investor Protection Act at 10 am in room 2128 Rayburn. The House of Representatives is scheduled to begin consideration of the Democrats' financial regulatory bill.

WEEKEND MUST-READS

USA Today: "Geithner: \$700B bailout program will end soon ... Treasury Secretary Timothy Geithner affirmed Wednesday the administration's intent to end the \$700 billion financial bailout program soon."

Washington Post: "AIG completes deal to reduce debt to Fed by \$25 billion, vows to pay back taxpayers ... American International Group, the insurance giant bailed out by the federal government, announced Tuesday that it has completed a deal to reduce its debt to the Federal Reserve by \$25 billion."

Washington Post: "U.S. steps up pressure on lenders to modify more mortgages ... The Obama administration on Monday promised tougher scrutiny of lenders participating in its marquee foreclosure-prevention effort and threatened to penalize companies that don't do enough to help struggling homeowners.

Wall Street Journal: "Systemic Risk and Fannie Mae ... As Congress lumbers toward creating a systemic-risk regulator, it's worth a look back-to 2002, when an economist named Stiglitz and a duo named Orszag wrote a paper with the droll title, "Implications of the New Fannie Mae and Freddie Mac Risk-Based Capital Standard."

Wall Street Journal: "Buyers Take a Pass on Some Failed Banks ... People's United Financial Inc. wanted to buy failed banks on the cheap. Instead, it struck a deal to buy a healthy equipment-leasing company."

Washington Post; Bernanke: "The right reform for the Fed ... For many Americans, the financial crisis, and the recession it spawned, have been devastating -- jobs, homes, savings lost."

Washington Post: "The FHA goes upmarket ... CREATED DURING the depths of the Great Depression, the Federal Housing Administration has a long history of supporting homeownership in the United States."

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Shelley Moore Capito issued this press release: [Capito Opening Statement at Hearing on FHA Actuarial Report](#)

Rep. Scott Garrett issued this press release: [The Next Taxpayer Bailout: FHA](#)

Rep. Michele Bachmann issued this press release: [Bachmann Opposes Permanent Bailout Bill](#)

Rep. Spencer Bachus issued these press releases: [Bachus Opposes Democrats' Permanent Bailout Authority Bill](#); [Geithner Fails To Provide Information On Financial Regulatory Reform Legislation Submitted To Congress](#); [Bachus: Regulators Must Enforce Illegal Internet Gambling Law](#); [FBI Confirms Online Gambling Opens Door To Fraud, Money Laundering](#); [Age Verification Software Ineffective](#).

CARTOON OF THE WEEK

(The Hill 12/2/2009)